

Fiscal Note

Fiscal Services Division



SF 199 – Military Service Property Tax Exemption (LSB1965XS)
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Fiscal Note Version – New

Description

Senate File 199 increases the value of the Military Service Property Tax Exemption from the current level of \$1,852 of property value for most veterans and their qualified survivors, to \$3,700. The change is effective beginning assessment year 2017 (FY 2019).

Background

Under current law, the Military Service Property Tax Exemption is equal to \$2,778 of property value for veterans of World War I (and qualified survivors), and \$1,852 for all other qualified situations. The vast majority of exemption situations qualify for the \$1,852 amount. The exemption reduces the amount of property value subject to property tax. At \$1,852 of value and at the statewide FY 2017 average residential property tax rate (\$34.81 per \$1,000 of taxable value), the average exemption reduces a veteran's annual property tax payment by about \$65.

The State reimburses local governments for \$6.92 per \$1,000 of the revenue reduction associated with the Military Service Property Tax Exemption. Through the action of the State school aid formula, the State also reimburses school districts for \$5.40 per \$1,000. At the \$34.81 per \$1,000 statewide average residential property tax rate, this results in \$22.49 per \$1,000 in unreimbursed property tax impact. This impact results in reduced local government property tax revenue.

Fiscal Impact

For almost all properties benefiting from the Military Service Property Tax Exemption, the impact of the Bill will be to double the current property tax reduction, beginning FY 2019 (taxes payable in the fall of 2018 and the spring of 2019). The FY 2019 impact on government finance is projected to be:

- State General Fund Military Service Property Tax Exemption Appropriation increase = \$2.0 million
- State General Fund School Aid Appropriation increase = \$1.5 million
- Local Government Property Tax Revenue reduction = \$6.5 million

Going forward, the number of veterans is expected to decline modestly each year, and this will produce a declining fiscal impact on State expenditures and local revenue.

Sources

Department of Management property tax value and rate files
Legislative Services Agency analysis
Department of Revenue

/s/ Holly M. Lyons

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The fiscal note for this Bill was prepared pursuant to Joint Rule 17 and the Iowa Code. Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.
